

QUARTERLY REPORT AS AT 31 MARCH 2014

HYPO LANDESBANK VORARLBERG



Key figures of Vorarlberger Landes- und Hypothekbank Aktiengesellschaft
(Hypo Landesbank Vorarlberg) – Group reporting per IFRS:

in '000 EUR	(Notes)	31.03.2014	31.12.2013	Change	
				in '000 EUR	in %
Total assets		13,833,588	14,145,177	-311,589	-2.2
Loans and advances to customers (L&R)		8,562,128	8,485,284	76,844	0.9
Amounts owed to customers (LAC)		4,726,900	4,815,650	-88,750	-1.8
Liabilities evidenced by certificates (LAC)	(12)	1,893,556	1,894,590	-1,034	-0.1
Capital resources in accordance with CRR/BWG *)	(18)	1,082,732	1,199,302	-116,570	-9.7
thereof core capital/Tier 1	(18)	774,609	804,590	-29,981	-3.7
Total capital ratio in accordance with CRR/BWG *)	(18)	13.38%	15.42%	-2.04%	-13.2

*) As of 31 March 2014, the capital ratios are based on the CRR (EU regulation no. 575/2013).

The comparative figures are based on the provisions of the Austrian Banking Act (BWG), which were applicable until 31 December 2013.

in '000 EUR	(Notes)	01.01.–	01.01.–	Change	
		31.03.2014	31.03.2013	in '000 EUR	in %
Net interest income after loan loss provisions		36,108	34,206	1,902	5.6
Net fee and commission income	(3)	8,584	9,060	-476	-5.3
Net trading result	(5)	3,335	6,620	-3,285	-49.6
Administrative expenses	(6)	-23,472	-23,636	164	-0.7
Earnings before taxes		24,623	20,938	3,685	17.6

Key figures	(Notes)	01.01.–	01.01.–	Change	
		31.03.2014	31.03.2013	Absolute	in %
Cost-income ratio (CIR)		47.90%	43.58%	4.32%	9.9
Return on equity (ROE)		11.70%	10.95%	0.74%	6.8
Employees	(16)	717	728	-11	-1.5

The shareholders of Vorarlberger Landes- und Hypothekbank Aktiengesellschaft
(Hypo Landesbank Vorarlberg) as at 31 March 2014 are:

Shareholders	Total shareholding	Voting rights
Vorarlberger Landesbank-Holding	76.0308%	76.0308%
Austria Beteiligungsgesellschaft mbH	23.9692%	23.9692%
Landesbank Baden-Württemberg	15.9795%	
Landeskreditbank Baden-Württemberg Förderbank	7.9897%	
Share capital	100.0000%	100.0000%

Rating Moody's*	
Long-term for liabilities with state deficiency guarantee	Aa2
for liabilities without state deficiency guarantee (as of 2 April 2007)	A1
Short-term	P-1

*) On 1 March 2014, the ratings agency Moody's confirmed Austria's top credit rating of Aaa and raised its outlook from negative to stable. Moody's subsequently raised the rating outlook for a number of banks, including Hypo Landesbank Vorarlberg, from negative to stable on 6 March 2014.

CONSOLIDATED INTERIM REPORT IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AS AT 31 MARCH 2014

BANKING BUSINESS ENVIRONMENT IN THE FIRST QUARTER 2014

Growth of the major economic blocs has continued since the beginning of the year. In the euro zone, all four major economies displayed a growth trend and the sentiment indicators also reflected generally positive sentiment. The USA and the UK also posted robust economic growth, although the US economy suffered as a result of the cold and severe winter. Nonetheless, the labour market of the world's biggest economy recovered to the extent that the tightening of the monthly bond purchase volume that has already begun in late 2013 was continued in January and March. Starting from February, all eyes then turned to Russia, the unrest in Ukraine and the annexation of the Crimean peninsula on the Black Sea, which was not accepted under international law by the West. The financial markets were repeatedly negatively impacted by signs of escalation, while in turn diplomatic rapprochement brought some degree of recovery again.

The development of the stock markets since the beginning of the year resembled a rollercoaster ride. Geopolitical factors in particular led to a significant increase in volatility for the market development, unsettling investors. This is also reflected in the performance of the indices this year despite high price levels. The majority did not post any major increases in the first quarter. In the euro zone, only the Italian leading index stood out with a significant double-digit performance in the first three months. The Japanese stock market even marked a significant decline in the same period. The stock markets in emerging economies recorded very different results. For example, the stock market barometers in India and Brazil rose significantly, whereas the stock markets in the emerging markets China and Russia declined as a result of weaker economic data and political unrest respectively. In the final quarter of 2013, the bond markets were negatively impacted by the start of tapering. At the beginning of the year, the Bund Future – the benchmark for German government bonds – picked up momentum again. After a temporary interruption as a result of the tapering announcement, the trend of rising bond prices and falling 10-year returns that has been in place since 1981 also continued in the first quarter of 2014. The emerging market bonds were also on the path to recovery towards the end of the first quarter.

After a not particularly positive year for commodities in 2013, the start to the new calendar year went much better. Gold was back in demand following a weak phase – including in its role as a crisis currency. The base metals did not react to the economic recovery as anticipated. They were influenced less by the plans of the central banks than by the moderate growth impetus from China. Energy resources were repeatedly impacted by geopolitical developments during the reporting period. Although the euro single currency proved volatile in relation to the US dollar in the first quarter, it repeatedly succeeded in returning to a high level. The exchange rate of the euro to the Swiss franc was generally slightly weaker at the end of the quarter than at the beginning of the year. The Japanese yen even appreciated by around 2% in the first three months.

CONSOLIDATED MANAGEMENT REPORT AS AT 31 MARCH 2014

Vorarlberger Landes- und Hypothekbank Aktiengesellschaft (referred to as Hypo Landesbank Vorarlberg for short) generated earnings before taxes of EUR 24.6 million as at 31 March 2014 (31 March 2013: EUR 20.9 million) and is thus on track with its medium-term planning. The Bank will continue to pursue its sustainable business model and conservative accounting policies.

There was widespread media and political discussion of the possible insolvency of Hypo Alpe Adria Bank International AG in the first quarter of 2014. With regard to the consequences of this, it should be noted that there is no capital connection between Hypo Landesbank Vorarlberg and Hypo Alpe Adria Bank International AG. A cross-guarantee scheme does not exist between Austrian Hypothekbanken - unlike other Austrian banking sectors. A joint guarantee on the part of the member banks and the Austrian federal states exists only for the Pfandbrief stelle – as a joint issuing institution of the Austrian Landes-Hypothekbanken – with regard to outstanding issues which are scheduled to be repaid almost entirely by 2017.

Political leaders, in particular the Minister of Finance as the representative of the Austrian government as the owner, decided to wind up the bank via a form of company organised under private law. Hypo Landesbank Vorarlberg therefore will not be directly affected by future measures with regard to the winding-up of Hypo Alpe Adria Bank International AG during the implementation of this solution.

Income Statement

As at 31 March 2014, net interest income after risk provisioning amounted to EUR 36.1 million and was thus 5.6% higher than in the previous year. Business at the majority of our customers remains stable. Sufficient provisions were made for all recognisable risks and loan loss provisions remained at a stable level, as in the previous year. Net fee and commission income declined by 5.3% year-on-year to EUR 8.6 million. The net trading result is still influenced by uncertainties on the capital markets and was down considerably year-on-year at EUR 3.3 million in the first quarter.

Administrative expenses fell in the first quarter by 0.7% to EUR 23.5 million, while staff costs increased slightly from von EUR 13.9 million to EUR 14.1 million. The headcount of 717 employees (weighted by employees' activity rate) was down 1.5% in comparison to the previous year. Material expenses also fell by 2.2% year-on-year.

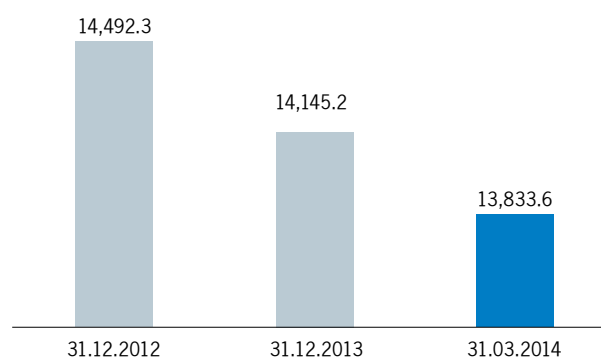
Overall, earnings before taxes amounted to EUR 24.6 million as at 31 March 2014 (31 March 2013: EUR 20.9 million). Net of taxes, Hypo Landesbank Vorarlberg posted consolidated net income of EUR 18.5 million as at 31 March 2013 (previous year: EUR 16.2 million).

The cost-income ratio of 47.90%, a ROE of 11.70% and the total capital ratio in accordance with the CRR of 13.38% underscore that Hypo Landesbank Vorarlberg is a healthy, successful and very efficient bank.

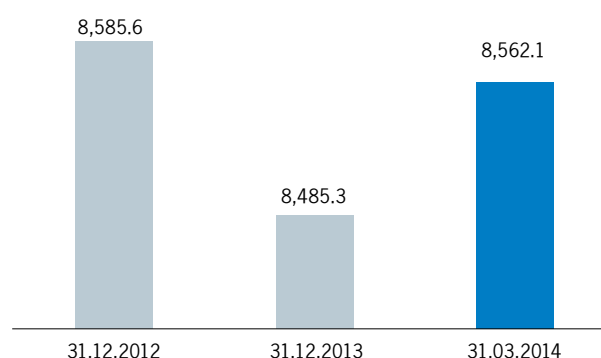
Balance sheet development

In line with planning, total consolidated assets were down on the previous year's level at EUR 13,833.6 million as at 31 March 2014. EUR 8,562.1 million of this total was attributable to loans and advances to customers, representing a slight increase as against 2013. Under liabilities and equity, liabilities to customers decreased by 1.8% in the first quarter, in line with planning, and amounted to EUR 4,726.9 million as at 31 March 2014. Financial liabilities at fair value amounted to EUR 4,993.5 million as at 31 March 2014.

Development of total assets (in EUR million)*



Development of loans and advances to customers (in EUR million)*



* The IFRS measurement method was adjusted in 2013 and the previous year's figures were amended retrospectively in order to ensure better comparability. Adjustment of previous year's figures relates to the remeasurement of loans and credits voluntarily designated at fair value. The previous year's figures were also adjusted due to application of the amended IAS 19.

Capital resources

The paid-up capital of Hypo Landesbank Vorarlberg amounted to EUR 165.5 million. Equity in accordance with the CRR amounted to EUR 1,082.7 million as at 31 March 2014, equivalent to a debt/equity ratio of 13.38%. These figures are comfortable in light of the risk profile. The corresponding figures from the previous year (31 December 2013: 15.42%) are still based on the provisions of the Austrian Banking Act (BWG), which were applicable up to the end of 2013.

With a debt/equity ratio of 13.38% and a core capital ratio of 9.57% (31 December 2013: 10.34%), Hypo Landesbank Vorarlberg already fulfils the highest expansion level of the Basel III standards applicable since 1 January 2014. The Managing Board will continue to pay particular attention to building up capital resources in order to secure a good rating and therefore favourable refinancing for the future.

DEVELOPMENT OF THE BUSINESS SEGMENTS UP TO 31 MARCH 2014

Corporate Customers/Public Sector

As Vorarlberg's leading corporate bank, Hypo Landesbank Vorarlberg offers leasing, insurance, equity and property services via its subsidiaries in addition to traditional banking products. Foreign services and expert advice and support with regard to funding programmes and institutions round off the financing portfolio.

As a result of new liquidity and refinancing requirements, the capital market is becoming increasingly important as a source of financing for companies. Hypo Vorarlberg has therefore expanded its range of services since the beginning of 2014 and established the new "Debt Capital Markets" (DCM) business segment. In collaboration with Brüll Kallmus Bank, based in Graz, Hypo Vorarlberg will thus support companies, cities and federal states throughout Austria and southern Germany with the placement and processing of bond issues and promissory note loans.

Developments in corporate customer business underline the stable state of the real economy in Austria. The order situation is still good. However, owing to uncertainty about future economic developments, companies in Vorarlberg were generally restrained in terms of their investments in the first quarter, resulting in lower demand for loans. Growth in the loan portfolio and in new customers was primarily generated in the markets of Vienna, Styria, Upper Austria and southern Germany. An

increase in demand deposits and term deposits was achieved, as the bank won over customers with its good conditions and above all with its good credit standing.

As at 31 March 2014, net interest income of EUR 19.1 million (+6.7%) had been generated in the Corporate Customers segment. Despite a conservative assessment in lending business, loan loss provisions declined by 40.3% due to the strong state of the companies in the Bank's core areas. Overall, the Corporate Customers segment generated earnings before taxes of just under EUR 10.0 million in the first three months of 2014 (2013: EUR 7.0 million).

Private Customers

In private customer business, Hypo Landesbank Vorarlberg is primarily characterised by its high quality and expertise in consulting-intensive services. In residential construction financing, in securities business and with sophisticated forms of investments, we aim to win over customers with our special expertise and respond flexibly to our customers' wishes.

As before, a large number of customers are taking advantage of the low interest rates to construct, purchase or renovate properties, resulting in a very high level of demand for loans in the first quarter. However, it can also be observed that customers are using their savings deposits to repay loans. Hypo Landesbank Vorarlberg supports energy-saving investments with special forms of loan such as the "Hypo-Klimakredit". Individual financing needs are taken into account optimally with lending products such as the "Hypo-Lebenswert-Kredit", the "Hypo-Lebenszeit-Kredit" and the "Hypo-Kredit Zinslimit".

With regard to investment, customers' need for security, together with the low interest rates, have led to increased demand for short-term forms of investment, strategies involving value protection and non-cash assets – mainly property. In addition to savings accounts with a relatively short term, bonds with a term of up to seven years are also in demand. Hypo Landesbank Vorarlberg's own issues are meeting with a high level of demand from customers and demonstrate their confidence in the security of the Bank.

As a result of the intense competition between banks in deposits business, as well as the falling key interest rates, there is still enormous pressure on margins. This is particularly clear in the Private Customers segment, where a slight increase in net interest income to EUR 7.7 million was recorded in the first quarter of 2014. Net fee and commission income was also slightly higher than the previous year's level at EUR 4.3 million.

Private Banking and Asset Management

Hypo Landesbank Vorarlberg's core competencies in private banking are professional and long-term partnership-based customer support and the development of in-house asset management strategies.

There was high demand in the first quarter of 2014 for product innovations such as Hypo IQ Maximum Return, the Hypo Value Momentum (individual shares) strategy and the Hypo Weltdepot Dynamik 90 (shares) strategy with value protection. The capital gain portfolio fund, which invests in shares worldwide and is specially designed for small investors, was also often chosen by customers. The new absolute return strategy aims to arm investors against potentially major crises with broad diversification. Here, long-term hedging strategies that manage market risks by means of dynamic non-predictive adjustment of the bond and share allocation result in a more robust portfolio. This means that profits are possible not only in rising markets but also in falling markets. On account of its very good correlation properties and defensive orientation, the new absolute return strategy is also well-suited as an addition to any existing portfolio. Overall, these new asset management strategies led to additional mandates in the first quarter of 2014, as a result of which assets under management have also increased since the beginning of the year.

Owing to the high demand for individual optimisation of customer portfolios, asset management has developed its own tool that can align customers' investment portfolios more towards opportunities on the basis of customer requirements and market expectations. As a result, it presents optimal portfolio combinations that have the lowest level of risk for a given return.

As at 31 March 2014, assets under management on the basis of mandates totalled EUR 748.2 million, with the number of mandates managed amounting to 2,702.

Only Austrian bank with international performance standards in asset management

PricewaterhouseCoopers reviews the compliance of our asset management with the Global Investment Performance Standards (GIPS)[®] on an annual basis and last confirmed this in December 2012. Since 2005, Hypo Landesbank Vorarlberg has been the first and still the only Austrian bank whose asset management is certified according to these internationally-recognised standards.

Financial Markets/Treasury

In the first quarter of 2014, the market development for Austrian financial institutions was dominated by discussions of the insolvency of Hypo Alpe Adria International and the uncertainty flaring up in Eastern Europe as a result of the Ukraine crisis. This uncertainty led to the postponement of Hypo Landesbank Vorarlberg's planned senior unsecured EUR benchmark issue after holding an international roadshow. On 6 March 2014, Moody's improved its rating outlook for Hypo Landesbank Vorarlberg from negative to stable and the markets have also calmed to large extent in the meantime, meaning that the planned transaction should be possible at a later stage of the year.

As at 31 March 2014, a net volume of approximately EUR 158 million was invested in bonds by ALM/Investment. The weighted remaining term of these new investments is 4.9 years. The total volume of nostro bonds as at the end of March 2014 amounted to EUR 3,085 million.

Hypo Landesbank Vorarlberg still has a good liquidity position. In the first quarter of 2014, the Bank's readily accessible short-term liquidity declined by around EUR 100 million to a level of approximately EUR 550 million, mainly due to repurchases of its own CHF issues. Income from foreign exchange transactions was increased by 15%, whereas revenues from interest derivatives trading remained at a low level. In the first quarter of 2014, Hypo Landesbank Vorarlberg issued six new instruments with a total volume of around EUR 51.0 million.

Securities revenues at the Bank's branches amounted to EUR 217.6 million in the first quarter of 2014, representing a slight decline of 1.72% compared to the same quarter of the previous year.

Thanks to the positive market development, the fund volume under management increased from EUR 6,286 million to EUR 6,358 million as at 31 March 2014. This is equivalent to growth of EUR 72 million or 1.15%.

As at 31 March 2014, the earnings contribution of the Financial Markets/Treasury business segment amounted to just under EUR 10.0 million. The further performance of this business segment in 2014 will depend to a large extent on the development of the financial markets and the sovereign debt crisis.

Leasing and Real Estate

As at 31 March 2014, the earnings contribution of the Corporate Centre amounted to EUR 5.1 million and was attributable to a decline in net interest income and higher loan loss provisions. The Corporate Centre includes the Leasing and Real Estate business segments.

Since 2012, Hypo Landesbank Vorarlberg's entire Austrian leasing and real estate business has been combined in a new company, allowing the Bank to exploit synergies in the area of administration and especially those relating to real estate leasing. The range of services offered by Hypo Immobilien & Leasing GmbH extends from real estate brokerage through property appraisal, construction management, property management and facility management to optimal financing solutions involving vehicle, movables and real estate leasing. Its main headquarters are the Hypo Office in Dornbirn.

While real estate brokerage services are offered at the offices in Bregenz, Bludenz and Feldkirch, leasing customers are supported by specialists in Dornbirn and Vienna. Marketing activities in the Austrian leasing market are performed by consultants at the offices of Hypo Landesbank Vorarlberg. Hypo Vorarlberg Leasing AG, headquartered in Bolzano, focuses on real estate and municipal leasing business.

The collaboration with Hypo Landesbank Vorarlberg was stepped up in 2013. Thanks to a new software package, consultants can now calculate leasing offers for their customers directly at branches. Vehicle leasing for private customers was also added to the product range.

OUTLOOK

Towards the end of the year, there was an upturn in the economy in Austria and in Europe as a whole. However, growth in domestic GDP in 2013 was at its lowest level since the start of the crisis in 2008/09 at +0.3% in real terms. Despite the rather disappointing general economic development, a number of different factors such as income and production have remained at an extremely high level when compared on an international level. According to surveys by the Austrian Institute of Economic Research (WIFO), Austrian companies therefore anticipate an improvement in many respects in 2014. As a result, the Austrian economy is expected to grow by 1.7% in both 2014 and 2015.

The recovery of the Austrian economy progressed only very tentatively at the beginning of 2014. Domestic demand grew steadily but still very slowly. Initial calculations by the WIFO for economic growth in the first quarter of 2014 indicate a 0.3% increase in overall economic output. The inflation rate is falling but remains high in comparison to other EU countries.

Focus areas for 2014

As part of the "Strategy Project 2018", the Managing Board determined that Hypo Landesbank Vorarlberg's strategy will continue to be characterised by high continuity in the future, too. At the same time, the economic and legal conditions entail reorganisation for the entire banking sector. New regulations require to build up additional equity and secure a cost-optimal liquidity supply. To ensure Hypo Landesbank Vorarlberg's profitability on a sustainable basis, existing customer relationships are to be strengthened by means of cross-selling and the Bank's presence in growth markets outside its home market of Vorarlberg is to be increased.

In corporate customer business, Hypo Landesbank Vorarlberg will continue to responsibly fulfil its role as Vorarlberg's leading corporate bank and supply companies in its existing markets with financing. Companies' investing activities have recently decreased, as a result of which lower demand for loans is anticipated in 2014, as in the previous year. The strong state of the companies in the Bank's market areas means that below-average risk costs are expected, while registrations for existing financing are also planned. In addition, we intend to increasingly offer the companies services relating to payment transactions, documentary business and investments.

Thanks to its good credit standing and high level of security, Hypo Landesbank Vorarlberg is also very popular with investment customers in private customer business. The Bank will continue to meet its customers' need for security and flexibility with attractive conditions for savings deposits. With regard to private financing, continued willingness to invest is also anticipated in 2014, as housing creation and renovation are still highly important.

In private banking and asset management, Hypo Landesbank Vorarlberg has developed an excellent reputation for itself in recent years and has established itself throughout Austria. Its assets include an innovative product range and palette and expert, individual advice and support. Building on this foundation, the top segment in investment business will be expanded with entrepreneurs and high net worth private customers (wealth management) in the future. To further expand the Bank's presence in Vienna, a new location will be established and the teams in Vorarlberg and Vienna will subsequently be expanded.

Expected earnings development in 2014

Despite several elements of political and economic uncertainty, the development in the first three months of 2014 was satisfactory overall. Interest-related business continues to represent a stable pillar of the earnings development. Hypo Landesbank Vorarlberg will continue to pursue cautious risk and accounting policies and will make corresponding additions to loan loss provisions. Particular attention has always been paid to a sustainable liquidity policy. The Bank therefore has extensive liquidity reserves that allow for further expansion of the lending volume and mean that net interest income can be expected to stabilise.

By contrast, the Managing Board expects net fee and commission income to decline slightly, partly as a result of transferring fund accounting to Masterinvest. Operating expenses will rise moderately in comparison to the previous year and staff costs are also expected to increase slightly, whereas IT costs will be somewhat lower than the previous year's level.

In general, the Managing Board is anticipating a steep rise in costs for the Bank in 2014, partly due to the implementation of the Basel III requirements, the deposit protection fund and the massive increase in the stability fee for regional banks. This will inevitably result in banking services becoming more expensive, particularly in lending business. Overall, the Managing Board is anticipating a good result in 2014 but expects this to be lower than in 2013 as a result of declining income and higher costs.

DISCLAIMER: The centralised portfolio management of Vorarlberger Landes- und Hypothekbank Aktiengesellschaft having registered offices in Bregenz qualifies as a firm within the meaning of the Global Investment Performance Standards (GIPS®). The firm comprises all asset management mandates of private and institutional customers as well as public funds that are managed in the context of the bank's centralised investment process. It does not include decentralised organisational units and other units of the group that operate independently. The firm is in compliance with the GIPS®. For a list of all composites along with a detailed description, please contact Vorarlberger Landes- und Hypothekbank Aktiengesellschaft at: +43 (0)50 414-1281 or e-mail us at gips@hypovbg.at.

I. STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY TO 31 MARCH 2014

Income Statement

in '000 EUR	(Notes)	01.01.–	01.01.–	Change	
		31.03.2014	31.03.2013	in '000 EUR	in %
Interest and similar income		67,949	68,561	-612	-0.9
Interest and similar expenses		-24,840	-25,919	1,079	-4.2
Net interest income	(2)	43,109	42,642	467	1.1
Loan loss provisions		-7,001	-8,436	1,435	-17.0
Net interest income after loan loss provisions		36,108	34,206	1,902	5.6
Fee and commission income		9,734	10,181	-447	-4.4
Fee and commission expenses		-1,150	-1,121	-29	2.6
Net fee and commission income	(3)	8,584	9,060	-476	-5.3
Net result on hedge accounting	(4)	523	-2,040	2,563	-
Net trading result	(5)	3,335	6,620	-3,285	-49.6
Net result from other financial instruments		332	-2,142	2,474	-
Administrative expenses	(6)	-23,472	-23,636	164	-0.7
Other income		3,599	2,707	892	33.0
Other expenses		-7,129	-4,227	-2,902	68.7
Result from equity consolidation		-214	739	-953	-
Operating result before change in own credit risk		21,666	21,287	379	1.8
Result from change in own credit risk		2,957	-349	3,306	-
Earnings before taxes		24,623	20,938	3,685	17.6
Taxes on income		-6,108	-4,759	-1,349	28.3
Consolidated net income		18,515	16,179	2,336	14.4
Of which attributable to:					
Parent company shareholders		18,510	16,174	2,336	14.4
Non-controlling interests		5	5	0	0.0

Statement of comprehensive income

in '000 EUR	01.01.–	01.01.–	Change	
	31.03.2014	31.03.2013	in '000 EUR	in %
Consolidated net income	18,515	16,179	2,336	14.4
Items which can be reclassified to consolidated net income				
Changes to foreign currency translation reserve	0	-9	9	-
Changes to AFS revaluation reserve	125	3,423	-3,298	-96.3
of which changes in measurement	166	4,597	-4,431	-96.4
of which changes in holdings	0	-33	33	-
of which income tax effects	-41	-1,141	1,100	-96.4
Total items which can be reclassified to consolidated net income	125	3,414	-3,289	-96.3
Items which cannot be reclassified to consolidated net income				
Changes to IAS 19 revaluation reserve	0	0	0	0.0
of which changes in measurement	0	0	0	0.0
of which income tax effects	0	0	0	0.0
Total items which cannot be reclassified to consolidated net income	0	0	0	0.0
Other income after taxes	125	3,414	-3,289	-96.3
Total comprehensive income	18,640	19,593	-953	-4.9
Of which attributable to:				
Parent company shareholders	18,635	19,588	-953	-4.9
Non-controlling interests	5	5	0	0.0

II. BALANCE SHEET DATED 31 MARCH 2014

Assets

in '000 EUR	(Notes)	31.03.2014	31.12.2013	Change	
				in '000 EUR	in %
Cash and balances with central banks		433,693	593,422	-159,729	-26.9
Loans and advances to banks		1,015,284	1,113,957	-98,673	-8.9
Loans and advances to customers		8,562,128	8,485,284	76,844	0.9
Positive market values of hedges	(7)	8,421	5,442	2,979	54.7
Trading assets and derivatives	(8)	565,895	574,137	-8,242	-1.4
Financial assets – at fair value	(9)	1,160,898	1,182,716	-21,818	-1.8
Financial assets – available for sale	(10)	703,285	778,923	-75,638	-9.7
Financial assets – held to maturity	(11)	1,148,437	1,175,548	-27,111	-2.3
Shares in companies valued at equity		34,941	36,449	-1,508	-4.1
Investment property		54,029	54,556	-527	-1.0
Intangible assets		1,518	1,618	-100	-6.2
Property, plant and equipment		74,618	74,684	-66	-0.1
Tax assets		4,041	820	3,221	>100.0
Deferred tax assets		6,388	6,615	-227	-3.4
Non-current assets available for sale		3,880	3,953	-73	-1.8
Other assets		56,132	57,053	-921	-1.6
Total Assets		13,833,588	14,145,177	-311,589	-2.2

Liabilities and shareholders' equity

in '000 EUR	(Notes)	31.03.2014	31.12.2013	Change	
				in '000 EUR	in %
Amounts owed to banks		565,668	687,965	-122,297	-17.8
Amounts owed to customers		4,726,900	4,815,650	-88,750	-1.8
Liabilities evidenced by certificates	(12)	1,893,556	1,894,590	-1,034	-0.1
Negative market values of hedges	(7, 13)	112,231	126,743	-14,512	-11.5
Trading liabilities and derivatives	(8, 14)	228,699	238,222	-9,523	-4.0
Financial liabilities – at fair value	(15)	4,993,470	5,123,337	-129,867	-2.5
Provisions		36,471	41,608	-5,137	-12.3
Tax liabilities		7,841	7,874	-33	-0.4
Deferred tax liabilities		4,484	2,486	1,998	80.4
Other liabilities		76,079	40,505	35,574	87.8
Subordinated and supplementary capital		322,698	319,098	3,600	1.1
Shareholders' equity		865,491	847,099	18,392	2.2
Of which attributable to:					
Parent company shareholders		865,423	847,036	18,387	2.2
Non-controlling interests		68	63	5	7.9
Total Liabilities and shareholder's equity		13,833,588	14,145,177	-311,589	-2.2

III. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in '000 EUR	Subscribed capital	Capital reserve	Retained earnings and other reserves	Revaluation reserve (available for sale)	Reserves from currency translation	Total parent company shareholders	Non-controlling interests	Total Shareholders' equity
Balance 1 January 2013	165,453	48,874	550,836	3,928	9	769,100	67	769,167
Consolidated net income	0	0	16,174	0	0	16,174	5	16,179
Other income	0	0	-5	3,423	-4	3,414	0	3,414
Comprehensive income 2013	0	0	16,169	3,423	-4	19,588	5	19,593
Dividends	0	0	-242	0	0	-242	0	-242
Balance 31 March 2013	165,453	48,874	566,763	7,351	5	788,446	72	788,518
Balance 1 January 2014	165,453	48,874	621,606	11,107	-4	847,036	63	847,099
Consolidated net income	0	0	18,510	0	0	18,510	5	18,515
Other income	0	0	0	125	0	125	0	125
Comprehensive income 2014	0	0	18,510	125	0	18,635	5	18,640
Dividends	0	0	-248	0	0	-248	0	-248
Balance 31 March 2014	165,453	48,874	639,868	11,232	-4	865,423	68	865,491

In accordance with Austrian banking regulations, the Company's share capital and issued participation capital are shown as subscribed capital.

IV. CONDENSED CASH FLOW STATEMENT

Reconciliation to cash and balances with central banks

in '000 EUR	01.01.– 31.03.2014	01.01.– 31.03.2013
Cash and balances with central banks as at 1 January	593,422	532,010
Cash flows from operating activities	-303,390	-418,995
Cash flows from investing activities	144,694	-6,619
Cash flows from financing activities	-1,032	-691
Cash and balances with central banks as at 31 March	433,693	105,705

VV. NOTES

A. ACCOUNTING POLICIES

(1) GENERAL INFORMATION

The same accounting standards observed in preparing the consolidated annual financial statements dated 31 December 2013 were applied to the consolidated interim financial statements. There have been no changes in measurement principles applied with respect to the 31 December 2013 statements.

The Banking Group's quarterly report has not been audited or reviewed by an auditor.

B. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

(2) NET INTEREST INCOME

in '000 EUR	01.01.– 31.03.2014	01.01.– 31.03.2013
Income from cash and balances with central banks	23	98
Income from loans and advances to banks	3,243	3,166
Income from loans and advances to customers	39,133	37,061
Income from leasing business	6,408	6,993
Income from hedging instruments	1,593	712
Income from derivatives, other	1,172	2,390
Income from debt securities	15,744	17,504
Income from shares	536	260
Income from investments in affiliated companies	0	231
Income from investments in associated companies	97	146
Income from equity investments, other	0	0
Interest and similar income	67,949	68,561
Expenses from amounts owed to banks	-761	-1,477
Expenses from amounts owed to customers	-6,387	-6,040
Expenses from liabilities evidenced by certificates	-2,994	-826
Expenses from hedging instruments	-7,930	-8,671
Expenses from derivatives, other	-325	-2,590
Expenses from liabilities designated AFV	-4,897	-4,809
Expenses from subordinated and supplementary capital	-1,546	-1,506
Interest and similar expenses	-24,840	-25,919
Net interest income	43,109	42,642

(3) NET FEE AND COMMISSION INCOME

in '000 EUR	01.01.– 31.03.2014	01.01.– 31.03.2013
Lending and leasing business	816	770
Securities business	4,229	4,653
Giro and payment transactions	3,366	3,388
Other service business	1,323	1,370
Fee and commission income	9,734	10,181

in '000 EUR	01.01.– 31.03.2014	01.01.– 31.03.2013
Lending and leasing business	-251	-599
Securities business	-397	-356
Giro and payment transactions	-483	-139
Other service business	-19	-27
Fee and commission expenses	-1,150	-1,121

(4) NET RESULT ON HEDGE ACCOUNTING

in '000 EUR	01.01.– 31.03.2014	01.01.– 31.03.2013
Adjustment to loans and advances to banks	1,013	-2,166
Adjustment to loans and advances to customers	4,570	-1,579
Adjustment to financial instruments available for sale	4,637	-6,991
Adjustment to liabilities to customers	-1,116	-267
Adjustment to securitised liabilities	-16,975	457
Adjustment to subordinated and supplementary capital	-2,838	614
Net result from adjustment to underlying transactions from hedging	-10,709	-9,932
Measurement of hedging instruments for loans and advances to banks	-1,245	2,131
Measurement of hedging instruments for loans and advances to customers	-4,679	279
Measurement of hedging instruments for available for sale financial instruments	-4,871	6,503
Measurement of hedging instruments for liabilities to customers	1,064	190
Measurement of hedging instruments for securitised liabilities	17,552	-507
Measurement of hedging instruments for subordinated and supplementary capital	3,411	-704
Net result of the measurement of hedging instruments	11,232	7,892
Net result from hedging	523	-2,040

(5) NET TRADING RESULT

in '000 EUR	01.01.– 31.03.2014	01.01.– 31.03.2013
Trading Results	1,587	4,911
Result from the valuation of financial instruments – HFT	-10	7
Result from the valuation of derivatives	8,987	-37,079
Result from the valuation of financial instruments – AFV	-7,229	38,781
Net trading result	3,335	6,620

(6) ADMINISTRATIVE EXPENSES

Group administrative expenses consist of staff costs, material expenses and depreciation/amortisation of property, plant and equipment and intangible assets.

in '000 EUR	01.01.– 31.03.2014	01.01.– 31.03.2013
Staff costs	-14,110	-13,850
Material expenses	-7,950	-8,131
Depreciation/amortisation of property, plant and equipment and intangible assets	-1,412	-1,655
Administrative expenses	-23,472	-23,636

Of which staff costs

in '000 EUR	01.01.– 31.03.2014	01.01.– 31.03.2013
Wages and salaries	-10,686	-10,366
Statutory social security contributions	-2,813	-2,687
Voluntary social benefits	-210	-365
Expenses for retirement benefits	-362	-393
Social capital	-39	-39
Staff costs	-14,110	-13,850

C. NOTES TO THE BALANCE SHEET**(7) POSITIVE MARKET VALUES OF HEDGES****Breakdown by type of hedge**

in '000 EUR	31.03.2014	31.12.2013
Positive market values of fair value hedges	4,787	5,052
Deferred interest on derivative hedges	3,634	390
Positive market values of hedges	8,421	5,442

Nominal values of fair value hedges – breakdown by type of business

in '000 EUR	31.03.2014	31.12.2013
Interest rate swaps	2,003,963	2,054,590
Cross currency swaps	62,202	66,937
Interest rate derivatives	2,066,165	2,121,527
Nominal values of fair value hedges	2,066,165	2,121,527

Positive market values of fair value hedges – breakdown by type of business

in '000 EUR	31.03.2014	31.12.2013
Interest rate swaps	2,563	2,777
Cross currency swaps	2,224	2,275
Interest rate derivatives	4,787	5,052
Positive market values of fair value hedges	4,787	5,052

The Group did not enter into any cash flow hedge positions in the reporting year or the previous year.

8) TRADING ASSETS AND DERIVATES**Trading assets and derivatives – breakdown by type of business**

in '000 EUR	31.03.2014	31.12.2013
Debt securities of other issuers	0	190
Investment certificates	722	759
Positive market values of derivative financial instruments	514,143	513,056
Deferred interest	51,030	60,132
Trading assets and derivatives	565,895	574,137

Nominal values from derivatives – breakdown by type of business

in '000 EUR	31.03.2014	31.12.2013
Interest rate swaps	6,389,615	6,518,537
Cross-currency swaps	820,207	792,449
Interest rate options	586,518	600,452
Interest rate derivatives	7,796,340	7,911,438
FX forward transactions	981,945	1,074,858
FX swaps	542,315	608,638
FX options	2,799	5,785
Currency derivatives	1,527,059	1,689,281
Nominal values from derivatives	9,323,399	9,600,719

**Positive market values from derivatives –
breakdown by type of business**

in '000 EUR	31.03.2014	31.12.2013
Interest rate swaps	406,141	397,663
Cross-currency swaps	97,426	95,261
Interest rate options	3,673	3,470
Interest rate derivatives	507,240	496,394
FX forward transactions	5,665	15,862
FX swaps	1,007	529
FX options	231	271
Currency derivatives	6,903	16,662
Positive market values from derivatives	514,143	513,056

(9) FINANCIAL ASSETS DESIGNATED AT FAIR VALUE (AFV)

**Financial assets designated at fair value –
breakdown by type of business**

in '000 EUR	31.03.2014	31.12.2013
Debt securities of public issuers	295,567	294,102
Debt securities of other issuers	326,038	346,127
Investment certificates	3,017	0
Other equity interests	5,466	5,431
Loans and advances to customers	522,817	527,541
Deferred interest	7,993	9,515
Financial assets – at fair value	1,160,898	1,182,716

(10) FINANCIAL ASSETS AVAILABLE FOR SALE (AFS)

**Financial assets available for sale –
breakdown by type of business**

in '000 EUR	31.03.2014	31.12.2013
Debt securities of public issuers	235,240	231,053
Debt securities of other issuers	411,042	486,118
Shares	110	110
Investment certificates	16,322	16,200
Other equity interests	18,560	18,594
Deferred interest	10,190	15,325
Other equity investments	11,727	11,429
Other investments in affiliated companies	94	94
Financial assets – available for sale	703,285	778,923

(11) FINANCIAL ASSETS - HELD TO MATURITY (HTM)

**Financial assets held to maturity –
breakdown by type of business**

in '000 EUR	31.03.2014	31.12.2013
Debt securities of public issuers	309,772	301,816
Debt securities of other issuers	811,166	841,885
Supplementary capital of other issuers	9,981	9,979
Deferred interest	17,518	21,868
Financial assets – held to maturity	1,148,437	1,175,548

(12) LIABILITIES EVIDENCED BY CERTIFICATES (LAC)

**Liabilities evidenced by certificates –
breakdown by type of business**

in '000 EUR	31.03.2014	31.12.2013
Mortgage bonds	593,396	579,674
Municipal bonds	154,582	152,237
Medium-term fixed-rate notes	2,277	2,302
Bonds	601,898	579,526
Housing construction bonds	72,135	94,234
Bonds issued by Pfandbriefstellen	457,482	476,360
Deferred interest	11,786	10,257
Liabilities evidenced by certificates	1,893,556	1,894,590

(13) NEGATIVE MARKET VALUES OF HEDGES

Breakdown by type of hedge

in '000 EUR	31.03.2014	31.12.2013
Negative market values of fair value hedges	99,703	111,714
Deferred interest on derivative hedging instruments	12,528	15,029
Negative market values of hedges	112,231	126,743

**Negative market values of fair value hedges –
breakdown by type of business**

in '000 EUR	31.03.2014	31.12.2013
Interest rate swaps	90,602	104,079
Cross-currency swaps	9,101	7,635
Interest rate derivatives	99,703	111,714
Negative market values of fair value hedges	99,703	111,714

The nominal values of the hedging instruments are shown in Note (7). The Group did not enter into any cash flow hedge positions in the reporting year or the previous year.

(14) TRADING LIABILITIES AND DERIVATIVES**Trading liabilities and derivatives –
breakdown by type of business**

in '000 EUR	31.03.2014	31.12.2013
Negative market values of derivative financial instruments	220,987	232,031
Deferred interest	7,712	6,191
Trading liabilities and derivatives	228,699	238,222

**Negative market values from derivatives –
breakdown by type of business**

in '000 EUR	31.03.2014	31.12.2013
Interest rate swaps	169,812	171,724
Cross-currency swaps	41,745	36,632
Interest rate options	2,342	2,481
Interest rate derivatives	213,899	210,837
FX forward transactions	4,862	15,408
FX swaps	1,995	5,513
FX options	231	273
Currency derivatives	7,088	21,194
Negative market values from derivatives	220,987	232,031

The nominal values of the derivative financial instruments are shown in Note (8).

**(15) FINANCIAL LIABILITIES DESIGNATED
AT FAIR VALUE (LAFV)****Financial liabilities designated at fair value –
breakdown by type of business**

in '000 EUR	31.03.2014	31.12.2013
Amounts owed to banks at fair value	152,850	151,956
Amounts owed to customers at fair value	591,456	578,729
Mortgage bonds at fair value	24,778	24,248
Municipal bonds at fair value	717,420	700,737
Bonds at fair value	2,957,508	3,087,055
Housing construction bonds at fair value	150,373	143,198
Bonds issued by Pfandbriefstellen at fair value	296,300	313,099
Subordinated capital at fair value	40,292	39,674
Supplementary capital at fair value	21,633	21,404
Deferred interest	40,860	63,237
Financial liabilities at fair value	4,993,470	5,123,337

D. ADDITIONAL IFRS DISCLOSURES**(16) HUMAN RESOURCES**

	01.01.– 31.03.2014	01.01.– 31.03.2013
Full-time salaried staff	631	650
Part-time salaried staff	74	65
Apprentices	9	9
Full-time other employees	3	4
Average number of employees	717	728

E. SEGMENT REPORTING

Reporting by business segment

in '000 EUR		Corporate Customers	Private Customers	Financial Markets	Corporate Center	Total
Net interest income	2014	19,100	7,698	7,257	9,054	43,109
	2013	17,895	7,173	7,044	10,530	42,642
Loan loss provisions	2014	-3,695	-1,946	10	-1,370	-7,001
	2013	-6,185	-1,258	-39	-954	-8,436
Net fee and commission income	2014	2,900	4,325	537	822	8,584
	2013	2,964	4,155	1,004	937	9,060
Result from hedge relationships	2014	0	0	523	0	523
	2013	0	0	-2,040	0	-2,040
Net trading result	2014	536	326	2,467	6	3,335
	2013	595	408	5,538	79	6,620
Result from other financial instruments	2014	0	0	324	8	332
	2013	0	0	-2,104	-38	-2,142
Administrative expenses	2014	-7,819	-10,263	-2,431	-2,959	-23,472
	2013	-7,774	-10,235	-4,498	-1,129	-23,636
Other income	2014	189	87	0	3,323	3,599
	2013	202	97	0	2,408	2,707
Other expenses	2014	-1,223	-711	-1,661	-3,534	-7,129
	2013	-654	-294	-873	-2,406	-4,227
Result from equity consolidation	2014	0	0	0	-214	-214
	2013	0	0	0	739	739
Operating result before change in own credit risk	2014	9,988	-484	7,026	5,136	21,666
	2013	7,043	46	4,032	10,166	21,287
Result from change in own credit risk	2014	0	0	2,957	0	2,957
	2013	0	0	-349	0	-349
Earnings before taxes	2014	9,988	-484	9,983	5,136	24,623
	2013	7,043	46	3,683	10,166	20,938
Assets	2014	5,401,698	1,763,407	4,890,386	1,778,097	13,833,588
	2013	5,332,714	1,741,012	5,383,898	1,687,553	14,145,177
Liabilities and shareholders' equity	2014	2,078,283	2,455,834	8,660,982	638,489	13,833,588
	2013	2,187,469	2,447,023	8,973,071	537,614	14,145,177
Liabilities (incl. own issues)	2014	1,698,996	2,366,328	8,478,252	424,521	12,968,097
	2013	1,786,199	2,355,181	8,801,530	355,168	13,298,078

F. FINANCIAL RISKS AND RISK MANAGEMENT

The full disclosure on the organisational structure, risk management and the risk capital situation (per Section 26 Austrian Banking Act and the Disclosure Implementation Regulation – Off-VO and CRR) are posted on the internet at www.hypovbg.at

(17) OVERALL RISK MANAGEMENT

The Bank's operations involve the following risks:

- **Credit risk:** This includes the counterparty default risk, as well as the risk of deteriorating credit standing. Risks may also result from the use of credit risk mitigation methods.

- **Market risks:** The common characteristic of these risks is that they result from price changes in money and capital markets. Market price risks are categorised as interest rate, spread change, stock price, foreign currency or commodity risks.
- **Liquidity risk:** Liquidity risks can be broken down into maturity and retrieval risks, structural liquidity risk (rollover financing risk), and market liquidity risk. Maturity risk is an unplanned extension of maturities in the lending business. Retrieval risk is the risk that credit commitments are unexpectedly utilised or deposits withdrawn. As a result, a bank may no longer be able to fully meet its payment obligations. Structural liquidity risk arises from the possibility that the

required roll-over financing may only be available at less favourable conditions, or not at all. Market liquidity risk is in evidence when positions can only be sold immediately by taking a loss.

- **Operational risk:** This includes the risk of direct or indirect losses caused by human error, process deficits, technological failure, or external influence. Operational risks also include legal risk.
- **Shareholder risk:** This covers items including private equity, mezzanine financing, subordinated financing and investments in funds with these components. This also includes subordinated banking securities.
- **Real estate risk:** This refers to the risk of fluctuations in the value of property owned by the Group. This especially includes properties which serve as collateral (including leased assets) and cannot be sold promptly to third parties as part of realisation (“foreclosed assets”). This does not include owner-occupied properties.
- **Other risks:** These include above all those types of risks for which only rudimentary or no quantification methods exist. Specifically, strategic, reputation, equity, performance and business risks may be classified as other risks.

The Bank manages these risks in order to limit the overall bank risk. The Managing Board is responsible for the risk management of Hypo Landesbank Vorarlberg. Accordingly, it approves the principles of risk control and the risk measurement procedures. Additionally, it establishes the Bank’s willingness to take risks and defines limits for all relevant types of risk based on the bank’s risk-absorbing capacity.

The Bank reviews the effects of economic and market developments on the income statement and net assets on an ongoing basis.

The overall risk management of Hypo Landesbank Vorarlberg is based on a strict separation between Front Office and Back Office. The risk management functions of Hypo Landesbank Vorarlberg are bundled under the responsibility of the Managing Board member responsible for risk management. Risk controlling at Hypo Landesbank Vorarlberg is developed and implemented by Group Risk Controlling. This unit measures the risks on a group level. The independent assessment and approval of credit applications is carried out by the Credit Management departments for corporate and private customers.

The Bank’s risk situation and the Capital Adequacy Process are

addressed by the Asset & Liability Management Committee (ALM). In this committee, the Managing Board decides on market risk measurement procedures, defines interfaces between Sales and Treasury with regard to the market interest rate method, and the level of market risk and liquidity limits. Group Risk Controlling, Controlling, and Treasury departments are also present at committee meetings.

The definition of non-performing loans has been changed in the course of change-over to Basel III as of 1 January 2014. Non-performing loans are equivalent to the supervisory asset class „exposures in default” (until the end of 2013, interest-free loans in default were added). Until then, individual accounts 90 days past due were included in this supervisory asset class. Basel III (also in the standardized approach for credit risk) focuses on the customer in total. The non-performing loans according to their previous definition rose slightly from EUR 249,087,000 to EUR 260,789,000. According to Basel III, non-performing loans amounted to EUR 446,380,000 as at 31 March 2014.

The volatility on the capital markets has slightly increased and interest rate risk was slightly expanded from a very low level. The risk-bearing capacity remained at all times within the limits set by the Managing Board. Own issues are due in May and June 2014, the resulting risks are considered as manageable.

The value at risk (VaR) for individual risk types compared to the previous year is shown below:

VaR (99% / 10 days) Interest rate risk (Mean value)

in '000 EUR	2014	2013
January	4,297	3,414
February	4,883	3,128
March	5,489	2,687

VaR (99% / 10 days) Foreign currency risk (Mean value)

in '000 EUR	2014	2013
January	688	940
February	692	1,058
March	602	1,190

VaR (99% / 10 days) Equity risk (Mean value)

in '000 EUR	2014	2013
January	239	214
February	228	216
March	192	222

VaR (99% / 10 days) Creditspread risk (Mean value)

in '000 EUR	2014	2013
January	1,239	3,788
February	1,368	3,587
March	1,295	3,162

VaR (99% / 10 days) Marketrisk (Mean value)

in '000 EUR	2014	2013
January	4,664	5,072
February	5,157	5,263
March	5,649	4,389

(18) CONSOLIDATED CAPITAL AND REGULATORY CAPITAL REQUIREMENTS

As of 1 January 2014 the requirements of CRR (EU Regulation No. 575/2013) came into effect. Previously the regulatory capital requirements were calculated according to legal provisions of the Austrian Banking Act. Based on legal changes, the information as of the reporting date as well as comparative figures are shown in separate tables, relating to the regulations valid at the respective time.

Capital requirements per Section 22 Austrian Banking Act as at 31 Dezember 2013

in '000 EUR	31.12.2013
Assessment basis per Section 22 Austrian Banking Act	7,363,339
Capital resource requirement for solvency	589,067
Capital requirement for settlement risk	0
Capital requirement for position risks	0
Capital resource requirement for operational risk	33,256
Total capital resource requirements	622,323

Capital requirements in accordance with CRR as at 31 March 2014

in '000 EUR	31.03.2014
Risk-weighted receivables	7,543,302
Risk exposure amount for settlement and delivery risks	0
Total receivables amount for position, foreign currency and goods position risks	0
Total amount of risk positions for operational risks	423,838
Total amount of risk positions for adjustment of credit valuation	124,282
Total risk exposure	8,091,422

Consolidated capital per Section 23 in conjunction with Section 24 Austrian Banking Act as at 31 Dezember 2013

in '000 EUR	31.12.2013
Core capital (Tier 1)	804,590
Paid-in capital	165,453
Capital reserves	48,874
Retained earnings	441,796
Liable capital	126,005
Minority interests per Section 24 (2) no. 1 Austrian Banking Act	63
Consolidation per Section 24 (2) no. 2 Austrian Banking Act	23,835
Intangible assets	-1,436
Supplementary capital resources (Tier 2)	398,160
Supplementary capital	90,586
Remeasurement reserve	79,574
Subordinated capital	228,000
Deductions	-3,448
Attributable capital resources (Tier 1 plus Tier 2 minus deductions)	1,199,302
Assessment basis (banking book)	7,363,339
Core capital ratio (banking book)	10,93%
Solvency ratio (banking book)	16,29%
Assessment basis (modified)	7,779,039
Core capital ratio	10,34%
Solvency ratio	15,42%

Consolidated capital resources in accordance with CRR as at 31 March 2014

Common equity tier 1 capital (CET1)

in '000 EUR	31.03.2014
Capital instruments eligible as common equity tier 1 capital	184,327
Retained profits	475,557
Accumulated other income	10,668
Other reserves	126,603
Transitional adjustment due to grandfathered capital instruments of common equity tier 1 capital	24,000
Minority interests	16
Transitional adjustment due to additional minority interests	38
Adjustments to common equity tier 1 capital due to deduction and correction items	-4,490
Intangible assets	-1,594
Items to be deducted from the items of additional tier 1 capital and that exceed additional tier 1 capital	-10,071
Instruments of common equity tier 1 capital from companies in the financial sector in which the Bank does not hold a significant interest	-4,070
Other transitional adjustments to common equity tier 1 capital	-26,375
Common equity tier 1 capital (CET1)	774,609

Additional tier 1 capital (AT1)

in '000 EUR	31.03.2014
Capital instruments eligible as additional tier 1 capital	0
Instruments issued by subsidiaries that are included under additional tier 1 capital	7
Transitional adjustment due to additionally recognised instruments issued by subsidiaries that are included under additional tier 1 capital	-5
Instruments of additional tier 1 capital from companies in the financial sector in which the Bank does not hold a significant interest	-2,721
Other transitional adjustments to additional tier 1 capital	-7,352
Items to be deducted from the items of additional tier 1 capital and that exceed additional tier 1 capital	10,071
Additional tier 1 capital (AT1)	0

Tier 2 capital (T2)

in '000 EUR	31.03.2014
Capital instruments and subordinated loans eligible as tier 2 capital	319,454
Instruments issued by subsidiaries that are included under tier 2 capital	10
Transitional adjustments due to additionally recognised instruments issued by subsidiaries that are included under tier 2 capital	-8
Instruments of tier 2 capital from companies in the financial sector in which the Bank does not hold a significant interest	-15,399
Other transitional adjustments to tier 2 capital	4,066
Tier 2 capital (T2)	308,123

Capital resources and capital ratios

in '000 EUR	31.03.2014
Common equity tier 1 capital (CET1)	774,609
Additional tier 1 capital (AT1)	0
Tier 1 capital	774,609
Tier 2 capital (T2)	308,123
Capital resources	1,082,732
Common Equity Tier 1 Capital ratio (CET1)	9.57%
Surplus of common equity tier 1 capital	450,952
Tier 1 Capital Ratio (T1)	9.57%
Surplus of tier 1 capital	329,581
Total Capital Ratio	13.38%
Surplus of total capital resources	435,418

G. DISCLOSURES PERTAINING TO AUSTRIAN LAW

(19) AUSTRIAN LAW

In line with Section 59a Austrian Banking Act in conjunction with Section 245a (1) Austrian Corporate Code (UGB), the consolidated financial statements were prepared in accordance with International Financial Reporting Standards applicable in the EU. In line with Section 59a Austrian Banking Act, the disclosures per Section 64 (1) no. 1 – 15 and (2) Austrian Banking Act and Section 245a (1) and (3) UGB are to be incorporated in the Notes to the consolidated financial statements.

**DECLARATION OF THE STATUTORY REPRESENTATIVES WITH RESPECT TO THE INTERIM REPORT
PER SECTION 87 (1) NO. 3 AUSTRIAN STOCK EXCHANGE ACT (BÖRSEG)**

We confirm that to the best of our knowledge the condensed consolidated interim financial statements prepared in accordance with applicable accounting standards (IAS 34) provide a true and fair view of the Group's assets and liabilities, financial condition, and results of operation, and that the Group quarterly management report provides a true and fair view of the Group's assets and liabilities, financial condition, and results of operation in relation to key events in the first three months of the fiscal year and the significance thereof with respect to both the condensed consolidated interim financial statements and to material risks and contingencies accruing in the remaining nine months of the fiscal year.

This interim report was not subjected to an audit or reviewed by an auditor.

Bregenz, 2 May 2014

**Vorarlberger Landes- und Hypothekenbank
Aktiengesellschaft**

The members of the Managing Board



Michael Grahammer
CEO, Chairman of the Managing Board

Sales Corporate Customers,
Accounting



Johannes Hefel
Managing Board member

Sales Private Customers



Michel Haller
Managing Board member

Risk Management

Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft

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*050-number for local rate

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